

Working life regulations



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Industrial relations and labour legislation in Finland



MINISTRY OF LABOUR

Industrial relations and labour legislation in Finland

This brochure aims at giving a general idea of the central features of the Finnish labour market system and the results that have been achieved over the years. The brochure also outlines the most important features of the Finnish labour legislation. This brochure was created for schools, students and foreigners to serve as a general guide to Finland, the Finnish industrial relations, labour legislation and social security of employees.

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WORKING LIFE RELATIONS

History

Finland was part of Sweden from the 12th century until the year 1809. The close cultural connections with the other Nordic countries derive from that period. Finland is located at the cultural border between Eastern and Western Europe. This has meant cultural exchange, but also repeated conflicts. In 1808-1809, Russia conquered Finland, and the country was made an autonomic Grand Duchy. The following period brought about rapid cultural, economic and political development, i.a. Finnish state institutions and a Finnish currency in 1860. Voting rights in governmental elections were given to both men and women in 1906. Under the protection of the autonomy granted by the Emperor, a national society was built based on a western cultural inheritance. In 1917, Finland became independent.

In the 19th century, working life was mainly based on agricultural traditions because of the industrial structure. Industrial activities were characterised by patriarchy. The unionisation of the working class began during the last two decades of the 19th century. At the beginning of the 20th century, labour market development was disjointed. The political problems of the autonomous period hindered the stabilisation of the labour market, and the Civil War in 1918 put an end to the dawning negotiation practices. The tense relations between workers and employers relaxed during the Winter War in 1939-1940. The labour market organisations acknowledged each other as negotiating parties in 1940. The number of members in labour market organisations increased, and the negotiation systems developed towards the end of the 1940's and in the 1950's, although social and political tension was reflected in the organisation and activities of the labour market.

After the Second World War, the influence of the Government on labour market activities has been significant. Since the end of the 1960's, labour market relations have been shaped towards a tripartite cooperation. During the last decades of the century, conflicts between the social partners have been alleviated, and the labour market system has become an important national institution. Labour market cooperation has become an important basis for the welfare state policy. Tripartite cooperation and established labour market relations were a central resource when Finland came through a particularly deep depression in the middle of the 1990's, during which the net loss of jobs was approx. 400,000.

The European integration intensified in the 1990's. Finland has been a member of the European Union (EU) since 1995, and the country adopted the common currency, the euro, at the beginning of 2002.



The Political Environment

The Parliament, which is elected every four years in elections based on proportional representation, has a single chamber and comprises of 200 members.¹ The executive power rests with the Council of State and the President of the Republic. The Government must enjoy the confidence of the Parliament. The traditionally strong position of the President especially in the foreign policy was weakened slightly for the benefit of the Government and the Parliament with a constitutional amendment in 2000. The President is elected every six years. The first woman was elected President in Finland in 2000.

The results of the parliamentary elections	in 1999 seats	in 2003 seats
Social Democratic Party (SDP)	51	53
Centre Party (KESK)	47	55
Coalition Party (KOK)	46	40
Left Alliance (VAS)	20	19
Swedish People's Party (R)	12	9
Green League of Finland (VIHR)	11	14
Christian Democratic Party (KD)	10	7
2 small groups	3	
The True Finns		3
Factions	9	8
The sexual distribution of the members of Parliament:		
Men	126	125
Women	74	75
<i>Turnout of voters</i>	68.3	69.7
In the elections to the European Parliament in 2004 the fourteen seats Finland were divided as follows:		
Centre Party	4	
Coalition Party	4	
Social Democratic Party	3	
Green League of Finland	1	
Left Alliance	1	
Swedish People's Party	1	
Of the members of the European Parliament, 9 were men and 5 women. The turnout of voters was 40.1.		

¹ For more information on the Parliament, visit www.eduskunta.fi.



All 18-year-old Finnish citizens have the right to vote, and foreign citizens living in Finland can vote in municipal elections on certain conditions. The approximately 430 municipalities in the country have the power to levy and collect taxes, and they also have broad self-government and far-reaching responsibilities to organise for example education and social and health services.

Since the deep depression in the beginning of the 1990s and partly as a consequence of it, the right-left wing contrast has faded markedly, and the Governments of 1995 and 1999 were formed with both left-wing and right-wing parties (SDP, Left Alliance, Green League, Swedish People's Party and Coalition), while the political centre formed the Opposition (Centre Party, Christian Democrats and small groups). Due to the results of the parliamentary elections in 2003, the government base was changed. The new government is formed by the Centre, the Social Democrats and the Swedish People's Party.

The Scandinavian model of the welfare society is widely supported in Finland. Tax revenue pays for health care, education and social security for all. In addition to the national pension provided by the government, there is a complimentary pension system based on past employment provided by private pension institutes. The post-war generations have received a basic nine-year education, and the later generations, especially those born in the 1960's and 1970's, have received vocational or higher education and are generally capable of using one or more foreign languages. The child day care system covers all children under school age, and there are private and public day-care centres to choose from.

The structure of education has changed considerably during the past few years. The share of those having passed at least a secondary-level examination in the 25–64 age group was 84.4 % in Finland in 2002. There has been a marked improvement in the educational standard of especially women. What remains a common problem, however, is the clearly lower standards of education of those aged 50 or over. koulutustaso.



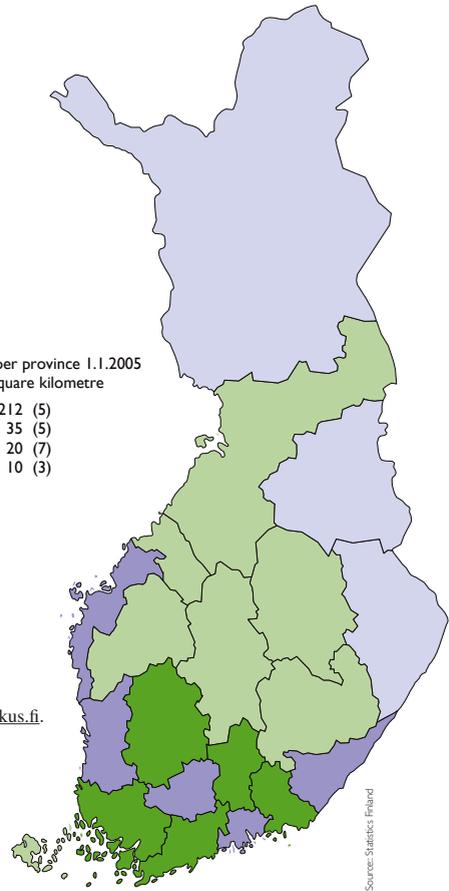


Population and Labour Force

At the end of the year 2004, there were approx. 5.2 million inhabitants in Finland. In other words, the 304,473 km² area of Finland largely covered in forests is sparsely populated, especially in Lapland. The official languages in Finland are Finnish (94 %) and Swedish (6 %). Many people also speak English. The share of immigrants is relatively low, or less than 2 % of the population².

Population density per province 1.1.2005
inhabitants/square kilometre

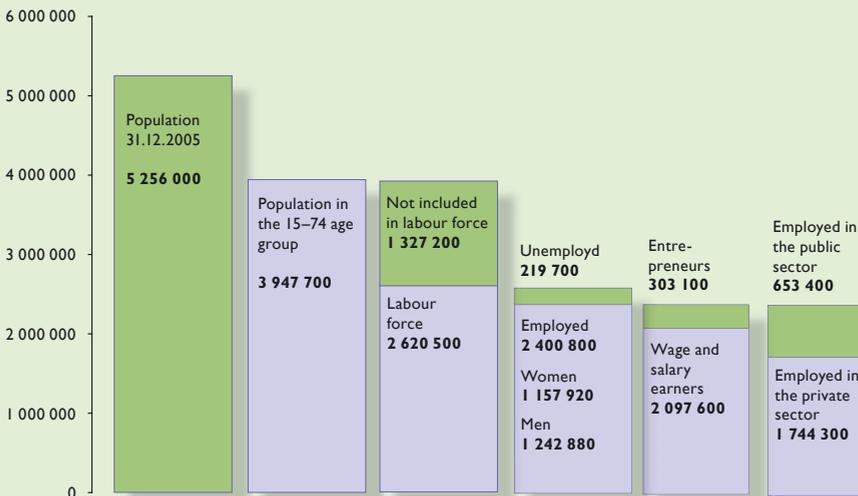
- 36 – 212 (5)
- 21 – 35 (5)
- 11 – 20 (7)
- 2 – 10 (3)



Source: Statistics Finland

² For more information on population and labour force, visit www.tilastokeskus.fi.

Population groups in 2005



Source: Statistics Finland



Industrial structure and foreign trade

Of the Finnish gross national product (GNP) of 150 milliard in 2004, industries and the building sector accounted for 30.2 %. The share of services was two thirds, 18.6% of which concerned the public sector and 48.1 % the private sector. The share of primary production has gone down to 3.1 %.

The Finnish national economy greatly depends on the foreign trade. Some 29 %, or approx. 57 million euro, of the GNP was generated by the exports in 2004. Over 60% of the exports went to other EU countries: Germany (11 %), Sweden (11 %), England (7 %) and France (3.5 %). Exports to Russia were 9 % of total exports, whereas this share in its heyday in the 1980's was 27 %.

The share of the electronics industry in the exports was one quarter, or similar to that of wood processing, our traditional export industry. The share of other metal industries was 30 %. The value of the exports in the chemical industry, on the other hand, had increased to 13 % of total exports in 2004.

Finnish imports mostly consist of raw materials needed by the industries and semi-finished goods 39 %. The share of investment goods and energy was 33 % and that of consumer goods 12%. The import countries are the same as the export countries, even though the shares of Germany (14 %) and Russia (13 %) are larger as regards the imports than the exports.

Both the imports and exports have grown significantly during the last decade. The trade balance and the balance of current payments have shown an extensive surplus for more than 10 years. In 2004, the national debt was 45 % of the GNP.

Finnish imports and exports by the country group in 2004, %





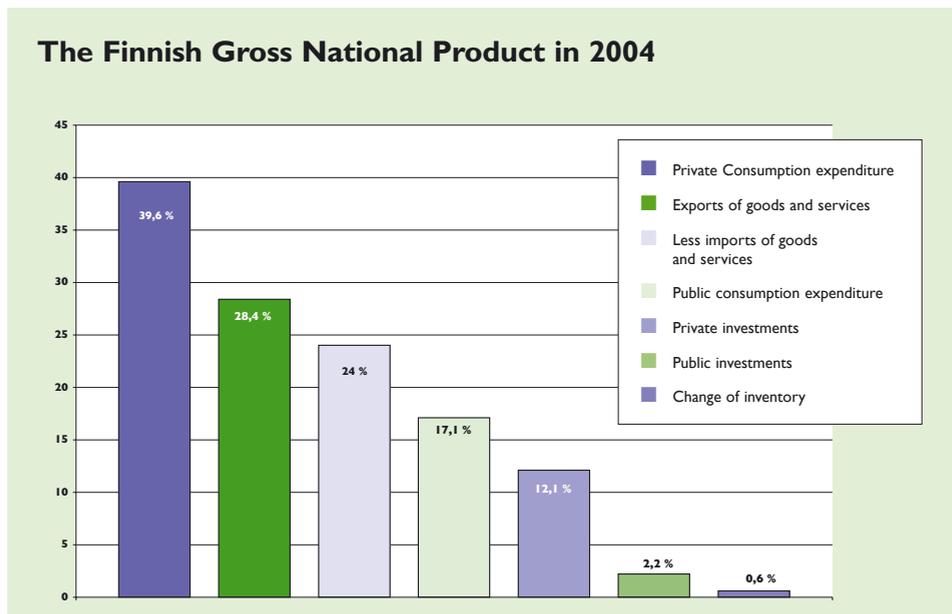
Since the year 1995, twice as many direct Finnish investments were made abroad than in Finland, in the last few years amounting to some 60 milliard euro annually. On the other hand, the amount of foreign investments in Finnish shares exceed the amount of Finnish investments directed abroad.

The enterprising scene in Finland is dominated by small enterprises. There are 232,300 companies in the country, of which 93 % have less than 10 employees. This figure does not include farms that do not use external labour. There were 560 companies with more than 250 employees. About one half of the labour force was employed by enterprises.

Standard of living and earnings

In 2004, the GNP was at the level of the most developed industrial countries, or some 28,500 euro. The average industrial wage, meanwhile, was 30,550 euro. Measured by purchasing power, however, the income level was lower than in many comparable countries. Women on an average earn 81 % of the men's wages, even though the differences in pay for those performing similar tasks are minor. Total labour costs for employers including such as pension contributions were on an average 24.80 euro an hour in the industrial sector.

There are two basic methods of compensation: time wages and performance pay. The amount of earnings in performance pay is based on the work performance. In addition to basic pay, complementary methods of compensation such as bonuses





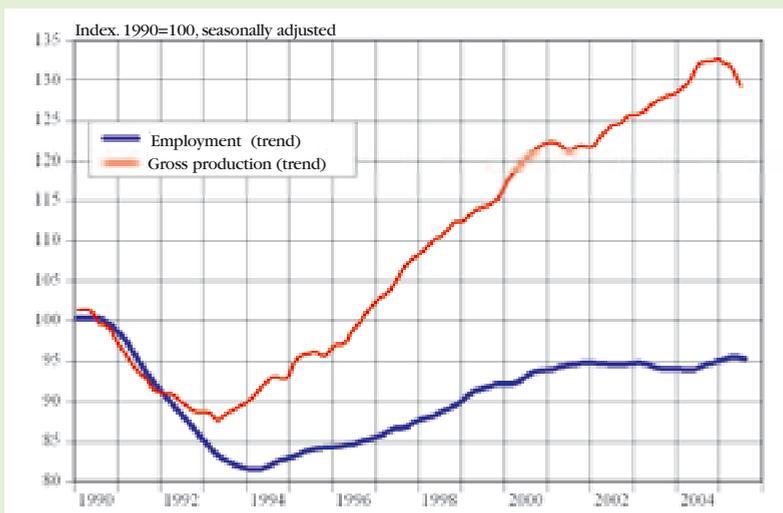
may be used. Bonuses are based on financial key figures, such as the development of productivity. The basis of determination of this type of pay normally is collective. The use of bonuses is increasing. In 2004, bonuses were paid to roughly two out of three higher executive employees in the industries, every second white-collar worker and one out of three blue-collar workers. On an average, the bonuses accounted for some six per cent of the earnings in 2004.

In recent years, inflation has slowed down in Finland. In 200–2004, the consumer price index went up by a total of 9 %. On the other hand, as a result of the increase in capital income, the income differences between households have grown. The tenth with the highest incomes received 22.3 % of all incomes in 2003. The share of those on low incomes has gradually increased: in that year, 11.2 % of the population, or 574,500 people, lived on less than 60 % of the median income.

Private consumption has in recent years increased in the area of electronic communications. In practice, every Finnish person has a mobile phone at his or her disposal. There were some 5 million subscriptions in 2005. One half of the households have an Internet connection, and broadband connections are increasing extremely rapidly. It is believed that the limit of a million connections will be reached in 2005. The Government has announced that analogue television transmissions will be discontinued during the year 2007, heralding a move to exclusively digital broadcasts.

Important changes were brought about in the pension legislation from the beginning of 2005. The aim is to attract people to stay on in working life. Today, the pensionable age is 63–68 years as chosen by the worker.

Development of gross production and employment



Source: Statistics Finland





Employment and Working Hours

The labour force in Finland consists of 2.6 million people. The services employ 66 % of the labour force (public services 31 %), industries 21 % and construction 7 %. Agriculture and forestry no longer employ more than 5% of the labour force.

The recession and unemployment in the 1990's resulted in a dramatic slump in the working hours of the national economy. In 2004, they remained at 3,992 million, or only 90% of the working hours in 1990. The annual working time of the employed has remained approximately unchanged for 15 years.

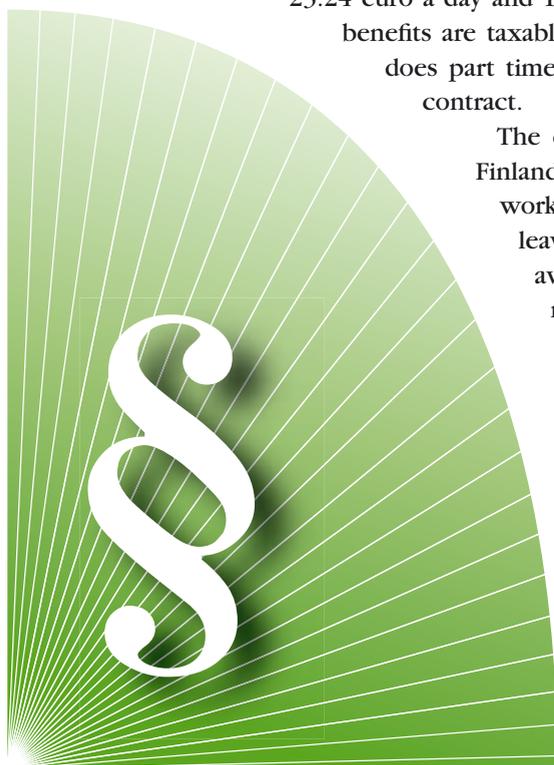
The employment rate, or the share of the employed in the 15-64 age group, was 68 % in 2005. 8 % of the labour force remained unemployed. In addition, 84,700 people were within the scope of labour political measures and 47,600 on an unemployment pension.

The employed are usually covered by the unemployment insurance. In case of unemployment, this insurance guarantees what is considered a reasonable subsistence for two years, or 500 days. The amount of this pension is approximately 60 % of gross earnings. Those entering the labour market or those having exceeded the time limit of 500 days of unemployment benefit receive a lower labour market support based on discretion, which may be supplemented with a housing allowance and ultimately

social security. In 2006, the amount of labour market support was 23.24 euro a day and 116.20 euro a week. Unemployment benefits are taxable income. 13 % of the labour force does part time work, and 17 % have a fixed-term contract.

The completed annual working time in Finland including not only the regular working hours and overtime but also sick leave and other similar absences on an average is 1,600 hours. This figure has remained more or less unchanged since the period preceding the recession in the beginning of the 1990's.

Annual holiday time is at least four weeks, when the employment relationship has lasted up to a year, and five weeks when it has continued over a year. The average statutory working week consists of 40 hours, but in collective agreements it



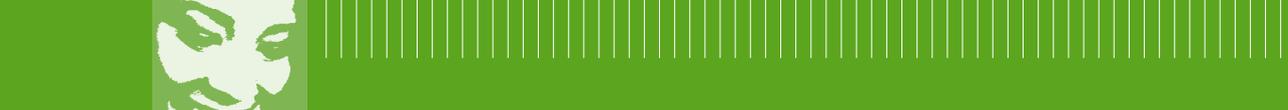
has been negotiated down to an average of 37.5 hours. In some sectors, the shortening of the working week has been realized by giving the employees 12.5 additional days off during the year (called "pekkaspäivät" in Finnish) that can also be used in connection with holidays. In addition, there are on an average nine paid national holidays a year.

The usage of different systems of working hours is becoming more diversified. Work is being reorganized by dividing the working hours in different ways over the period of a year. Collective agreements and the Working Hours Act make it possible to agree on flexible arrangements locally, or at the company level. This alternative is very popular.

Telework has increased its popularity in the new millennium, at it is performed to a variable degree both in terms of formal and unofficial arrangements. Employees typically engage in telework only part of the time as is dictated by the current needs. The development of information and communication technology has created the preconditions for decentralising work and making it independent of traditional working hours and workplaces. Work is increasingly done at home, when travelling and in the customer's facilities. The Internet, home computers and mobile phones have created favourable conditions for telework. The e-workers usually are experts of their field, and they mainly are concentrated in growth areas, the services and the public sector. In telework, not only efficiency and flexibility but also time management are highlighted.

■ You can find more information on telework at www.ework.fi and www.ecatt.com





THE PARTIES

Employee Organisations

The first and foremost task of the employee organisations is to look after the economic, social, professional and legal interests of their membership. All central employee organisations declare they are politically independent.

According to information obtained from the labour market organisations, some 75 % of all wage earners in Finland are organised. This figure includes pensioners, students and non-paying members. Of the approx. 1,350,000 wage earners in the private sector, some 1,150,000 are within the scope of national collective agreements. The employees of the state and municipalities are within the specific collective agreements for civil servants. Finland has the highest rate of organisation in Europe; Sweden and Denmark come next with rates that are a few percentage points lower.

Little less than one half of the labour force is women. Women have a slightly higher rate of organisation than men. This can be explained by the fact that there are more women working in the public sector, in which the rate of organisation is higher than in the private sector. The private services sector has the lowest rate of organisation with only two thirds of the employees organised.

The Central Organization of Finnish Trade Unions SAK

SAK was founded in 1907, and it is the biggest central organisation in terms of membership. It has 21 affiliated organisations and some 1.1 million members. The members include workers in the industries, the public sector (municipalities and the state), the transport sector and private service industries. Less than one half of SAK members work in the industrial sector, about one third in private services and one fourth in the public sector. Some 46 % of SAK members are women.

■ For more information: www.sak.fi

The Finnish Confederation of Salaried Employees STTK

STTK was founded in 1946. It has 20 affiliated unions and over 647,000 members. STTK's membership consists of white-collar employees of the state, municipalities, parishes, the services sector and industries. The member unions of STTK accept members who are students in vocational schools and universities of applied sciences or university students and graduates.

■ For more information: www.sttk.fi



The Confederation of Unions for Academic Professionals in Finland – AKAVA

AKAVA is the central labour market organisation for highly educated salary earners. It has 31 affiliated associations with 460,000 members. AKAVA is a negotiating party in income policy settlements and other concentrated labour market solutions. In addition, AKAVA looks after the interests of highly educated salary earners in social, economical, professional and educational matters.

The Confederation has equal numbers of men and women as its members. One half of these work in the private and the other half in the public sector. The Public Sector Negotiating Commission JUKO ry is the negotiating party in the public sector and the Delegation of Professional and Managerial Employees YTN ry that for the private sector.

■ For more information: www.akava.fi

Private Sector Employer Organisations

The Confederation of the Finnish Industries EK

EK officially started operating in the beginning of the year 2005, as the Employers' Confederation of Service Industries and the Confederation of Finnish Industry and Employers united to form one organisation. EK offers blanket representation for all private industries and companies of all sizes. In 2005, EK had 44 affiliated associations and some 16,000 member companies with approx. 950,000 employees.

■ For more information: www.ek.fi

The Federation of Agricultural Employers MTL

The Federation of Agricultural Employers was founded in 1945. MTL covers such activities as farming and other rural industries, horticulture, landscaping and golf course construction, and fur farming. It has some 1,170 members, and its collective agreements cover about 10,000 employees annually.

■ For more information: www.tyonantajat.fi



The Federation of Finnish Enterprises SY

SY is the central organisation for companies and is involved in enterprising, industrial and employer political matters. It has more than 400 enterprisers' associations in towns and municipalities, 21 regional and 48 sectoral organisations and, through its affiliated organisations, 90,000 member companies, some 43,000 of which are employers. The affiliated companies employ 450,000 employees, of whom some 340,000 are wage earners.

■ For more information: www.yrittajat.fi

Public Sector Employer Organisations

The Local Authority Employers KT

KT looks after the interests of municipalities and federations of municipalities at the labour market. A total of 432 municipalities and 210 federations of municipalities are within the scope of the agreements in the municipal sector. They cover 431,000 civil servants and employees, or one fifth of the Finnish salary earners. The centralised lobbying for municipalities as employers began in 1970 when the predecessor of KT, the Municipal Contracting Delegation, was established.

■ For more information: www.kuntatyonantajat.fi

The State Employer's Office VTML

VTML concludes collective agreements and contracts for the 124,000 employees working for the state.

■ For more information: www.vm.fi

The Commission of Church Employers KiT

KiT (formerly the Church of Finland Negotiating Commission KiSV) looks after the interests of the Evangelic Lutheran Church, the parishes and the federations of parishes as an employer in labour market matters. The Commission e.g. concludes collective agreements for the approx. 410 employer units (church central administration, parishes and federations of parishes) within the church. Some 21,000 civil servants and employees are within the scope of the church's collective agreements.

■ For more information: www.evl.fi/kit

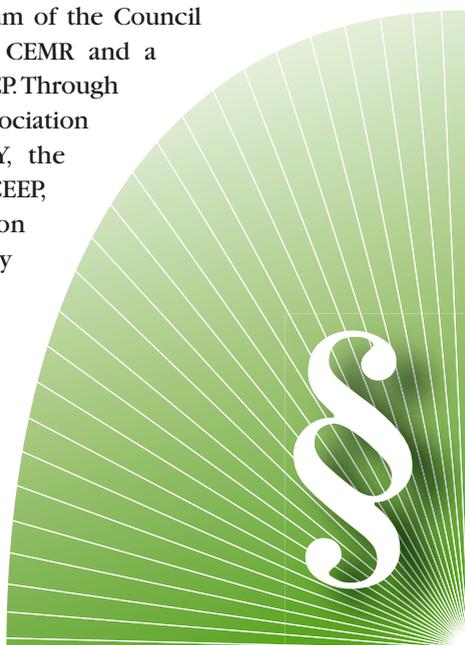


International contacts of the organisations

The organisations have extensive international contacts. The central organisations of wage and salary earners participate in the activities of the International Labour Organization ILO following the tripartite principle. SAK, STTK and AKAVA are members of the Council of Nordic Trade Unions NFS (founded in 1971), European Trade Union Confederation ETUC (founded in 1973), International Confederation of Free Trade Unions ICFTU, as well as the Trade Union Advisory Committee of the OECD. Scandinavian unions organise joint conference and seminar activities alternately in the different countries in their area. The wage and salary earners' organisations also maintain regular connections and neighbouring region co-operation with the trade union movements in the Baltic countries and Russia. To look after the interests of their members in Europe, the Finnish central organisations have their joint office KEY Finland in Brussels. The main central unions take part in the preparation of EU matters both in Finland and on the EU level.

The employer organisations have wide-spread Scandinavian connections with employer representatives in other countries. The Confederation of Finnish Industries takes part in the ILO's activities and closely monitors the activities of the OECD and the EU and the processing of questions involving the interests of the employers. The Confederation of the Finnish Industries is a member in the International Organisation of Employers IOE, Union of Industries in the European Community UNICE and Business Industry Advisory Committee BIAC which functions within the OECD.

KT is a member of the employer forum of the Council of European Municipalities and Regions CEMR and a member of the Finnish section of the CEEP. Through the membership in the Employers' Association for Transport and Special Services LTY, the Ministry of Finance is represented in the CEEP, which represents public enterprises on the European level. VTML has traditionally highlighted Scandinavian co-operation in its international activities. It also has close connections with the OECD and its Public Management committee PUMA. With the Finnish EU membership, VTML has started co-operation with the state employers of other EU member countries. Co-operation with the European Institute of Public Administration EIPA is based on an agreement concluded in 1992.





BARGAINING RELATIONS

Corporatism, or close-knit co-operation between the political system and the labour market organisations, is characteristic of the Finnish labour market relations. What this means is that almost all legislation pertaining to working life is prepared as a tripartite co-operative effort of the Government, the employer organisations and the wage and salary earners' organisations.

Private sector collective agreements

The first pay rate agreement between the employers and employees that covered the whole country was concluded in the graphic industry in the year 1900. Sector specific collective agreements remained rare, however, until the Second World War. In 1940, the social partners recognized one another as negotiating parties. The Collective Agreements of 1944 and 1946 covered the arrangements for the bargaining relationships. The stipulations of the 1946 Collective Agreement are still valid in broad outline.

The first collective agreements mostly included stipulations on wages and to a lesser extent on other conditions of the employment relationship. Little by little, the scope of the agreements has broadened, and they have become more detailed. A collective agreement implies the duty of the negotiating parties or parties otherwise bound by it to avoid any type of industrial action with reference to the agreement during the agreement period. In the private sector, the collective agreement is the minimum agreement. In 1993, local contractual rights were enhanced in the municipal and state sector, as a result of which the public sector collective agreements are becoming more like minimum contracts in character.

Since 1971, the principle of general applicability of collective agreements has been in effect in Finland. According to this principle, unorganised employers also have to comply with national agreements applicable to their line of business. In 2001, the so-called confirmation procedure of universally binding collective agreements was introduced, in which a special commission confirms the general applicability. An agreement is generally applicable, if it can be considered representative of the field in question. The criteria for being representative are evaluated based on statistics that measure the general applicability of collective agreements, the established practices of agreements in the field, and the organisation rate of the negotiating parties. The aim of the system of general applicability to guarantee minimum conditions is also taken into consideration.

Three-step collective bargaining

In the incomes policy era observed since 1968, collective bargaining has begun as incomes policy negotiations (in Finnish "TUPO" negotiations) between the



central organisations. The objective of the bargaining has been to establish guidelines for concluding the collective agreements in each field. If an agreement is reached in these negotiations, the union level agreements have to conform with the centralised collective agreement concluded by the central organisations. Negotiations on the implementation of the agreements are carried out at the workplaces. However, the member unions of the central organisations first have to accept the agreement.

The collective agreements of wage earners and salaried employees mainly are sector specific. Each sector has one collective agreement covering the whole country. For example, metal workers, supervisors and salaried employees each have their own collective agreements. In the 1990's, the possibilities of agreeing locally within the enterprise and/or at a single workplace on certain matters regarding working conditions (especially working hours) have been increased in the collective agreements of different fields, even allowing deviations from the so-called basic conditions of the collective agreement. Collective agreements are usually signed for one or two years at a time.

Public sector collective agreements

The complete system involving bargaining, contracts and arbitration for the public sector was created in the 1970 legislation concerning collective agreements in the public sector. This system is based on negotiations between the employee and employer organisations. Contractual rights are almost as far-reaching as those in the private sector. Before the centralised system was introduced, the state and each municipality could individually determine the pay of the officials and the terms of their employment.

The contracting parties and the bargaining

Since 1971, the employers' representatives in collective bargaining in the public sector have included the State Employer's Office (VTML) and the Commission for Local Authority Employers (KT), and since the beginning of the year 1975 Kirkon sopimusvaltuuskunta (KiSV), from the beginning of 2006 named the Commission of Church Employers (KiT). On the employee side, the biggest state sector bargaining organisation is Pardia, which is a member of the STTK. The Trade Union for the Public and Welfare Sector JHL is affiliated to SAK and the Public Sector Negotiating Commission JUKO to AKAVA.

In the municipal sector, the salaried employees are represented as negotiating parties by the Union of the Municipal Sector, the Public Sector Negotiating Commission JUKO, the Negotiating Organisation for the Technical and Basic Service Professions KTN and the Delegation of Professional and Managerial Employees TNJ. The main bargaining organisations and the KT bargain and sign the municipal



agreements. The most important agreements are the general municipal collective agreement for civil servants and employees, the collective agreement for civil servants and employees in the teaching staff, the collective agreement for physicians, the collective agreement for employees and civil servants in the technical personnel, the collective agreement for employees and civil servants paid by the hour and the general municipal agreement and other agreements related to cooperation. In the church sector, the main bargaining organisations are JUKO affiliated to AKAVA, STTK member Union of Officials and Employees in Parishes SVTL, and the Union for the Church Sector, which consists of the SAK member JHL and the STTK-J member Federation of Municipal Officers KVL.

Collective bargaining issues for civil servants in the public sector

Regardless of the general freedom of contract, collective agreements cannot cover all issues. Examples of such non-contractual issues would be establishing, filling, rearranging and abolishing offices or posts, the eligibility requirements and responsibilities of officials, as well as granting discharge or leave of absence for reasons other than training, studying, sickness, pregnancy or childbirth. In addition, issues related to supervision of work, grounds for termination and pension matters are not included in the contracts.

The 1993, centralised collective contracts shifted a substantial share of the bargaining and contractual rights to the local level in state and municipal employment. These contracts were associated with the serious recession that undermined the public economy. They granted the local contracting parties more flexible possibilities to within certain limits deviate from the national contract to agree on pay and many other contractual provisions.

Collective agreement issues for employees in the public Sector

Besides the collective agreements for civil servants, the public sector also concludes collective agreements for employees receiving hourly and monthly pay, who constitute about one half of the workers employed by the state and municipalities. The range of issues settled in the public sector collective agreements resembles that of the private sector and is wider than that covered by the collective agreements for civil servants. The collective agreement for example includes stipulations regarding grounds for giving notice, which is not covered by the agreements concerning civil servants. A collective agreement may not, however, lead to the undermining of the minimum provisions for the employees, nor can it cover issues regarding organisational matters, management, or supervision of work.



THE ERA OF INCOMES POLICY

Since 1968, collective agreements for employees and civil servants have mostly been based on centralised incomes policy (TUPO) agreements. The negotiating parties have been the employer and employee central organisations. The actual collective agreements on the federation level have then been concluded applying the general guidelines. The Government has encouraged the concluding of moderate agreements by promising large-scale employment and social policy reforms. It has also been easier to include provisions favouring employees on low incomes. Sometimes federation specific agreements have been necessary.

The income policy agreements do not always totally cover the field, as individual federations may reject the agreement and try to do better on their own. For example, doctors were such a group in 2001.

A typical incomes policy agreement is a two-year settlement. The implementation of the agreements is monitored by the Incomes Policy Settlement Commission (TUPOSETU), which is a joint effort of the Government and the labour market organisations.

In recent times, the incomes policy agreements have been an essential stabilising factor contributing to rapid economic growth. Centralised agreements were also always developed in crisis situations, which emerged due to devaluations and growing inflation before Finland joined the European Union. Shortening the working hours has also always required a centralised agreement.

Incomes policy agreements also played a significant role in getting through the 1990's recession. On the one hand, the wage and salary earners' share in the net national product has decreased from the 55.6 % in 1990 to the current 45.4%, while the share of capital gains and entrepreneurial incomes has doubled in the same period to 28.7 %.

During the 1990s, the earlier versatile agreements advancing the interests of wage and salary earners have been replaced by agreements that also take into consideration the operational preconditions of enterprises.





Labour market settlements and development of earnings of wage earners in the period of incomes policy settlements

Year	Labour Market Settlement	All wage earners		
		Pay Level	Agreements	Inflation*
	MChange from previous year in percentage points	%	%	%
1969	Liinamaa I	6.3	3.8	1.4
1970	Liinamaa II	9.2	4.9	3.1
1971	The UKK agreement	14.9	12.4	8.6
1972	The Hämäläinen-Laatonen agreement	11.1	7.5	7.1
1973	Sector-specific agreements	17.2	11.7	14.7
1974	Lindblom phase 1.	22.6	13.5	17.7
1975	2. phase	19.6	12.3	17.6
1976	Miettunen mediation	11.2	7.8	12.7
1977	Liinamaa recommendation phase 1.	9.3	6.0	12.1
1978	2. phase	8.3	5.9	6.1
1979	Somerto-Oivio agreement	9.6	8.0	8.0
1980	Sector-specific agreements	14.9	12.4	13.5
1981	Pekkanen I year 1	10.9	8.2	10.5
1982	Pekkanen I year 2	11.9	8.2	10.5
1983	Sector-specific agreements	10.1	7.6	9.0
1984	Pekkanen (II) year 1.	7.3	4.6	6.3
1985	Pekkanen (II) year 2.	8.1	5.3	4.9
1986	Centralised	7.1	4.5	3.4
1987	Centralised	6.7	5.0	3.7
1988	Sector-specific agreements	10.3	8.0	5.9
1989	Kallio I	8.4	4.9	6.8
1990	Kallio II phase 1.	10.1	6.3	5.4
1991	Kallio II phase 2.	4.1	2.6	3.4
1992	Income policy agreement	1.0	0.0	2.5
1993	Income policy agreement	1.0	0.1	1.5
1994	Sector-specific agreements	2.2	0.9	1.7
1995	Sector-specific agreements	3.8	3.2	0.3
1996	TTT agreement phase 1.	6.0	5.4	0.7
1997	2. phase	3.8	2.5	1.8
1998	TTT agreement phase 1.	1.0	0.0	0.9
1999	2. phase	3.4	2.7	1.6
2000	Sector-specific agreements	2.9	1.8	3.9
2001	Incomes policy agreement phase 1.	4.4	3.2	1.7
2002	2. phase	3.2	2.4	1.6
2003	Income policy agreement phase 1	4.0	3.0	0.5
2004	2. phase	3.9	2.2	0.6
2005	Income policy agreement	3.5 **	2.6	0.9

Source: Statistics Finland; Changes in pay levels. Impacts of agreements and drifts, and the impact of structural change in years 1968-1995. Percentage change from 4th quarter till 4th quarter

* Consumer price index 1951:10=100, yearly revision to the IV quarter

** Advance information



AGREEMENTS BETWEEN THE CENTRAL ORGANISATIONS

In addition to collective agreements, the labour market organisations have concluded several general agreements, which correspond to the so-called advisory agreements in the public sector. The purpose of the general agreements is to create consistent procedures for handling general working life questions at workplaces. These agreements are valid until further notice.

Agreements between SAK and EK in the industrial sector

(the previous TT agreements):

- General Agreement 1997 (revised in 2001; the agreement includes stipulations on e.g. shop stewards, co-operation, communication, rationalisation, hiring outside labour and co-operation regarding occupational safety and health)
- Holiday Pay Agreement 2005
- Agreement on Protection Against Arbitrary Termination 2001
- Co-operative Agreement on Earning Statistics 1974
- Agreement on the Collection of Union Membership Fees 1969

Central organisation level agreements between SAK and EK in the services sector

(the previous PT agreements):

- General Agreement 1990
- Shop Steward Agreement 1995 (2001) (the agreement covers e.g. the shop steward's tasks, election, protection of continued employment and obligation to give information)
- Co-operative Agreement 1997 (2001) (the agreement includes provisions on e.g. co-operation procedures, communication and rationalisation, as well as occupational safety and health)
- Co-operative Agreement on Earning Statistics 1980
- Agreement on the Collection of Union Membership Fees 1989
- Compensatory Penalty Record 2000
- Agreement on the development of workplace catering 1976



Central organisation level agreements between STTK and EK in the industrial sector

(the previous TT agreements):

- Co-operative Agreement on Salaried Employees Earnings Statistics STTK -TT (STK) 1974
- Agreement on Protection Against Arbitrary Termination 2002
- Co-operative Agreement 2002
- Protocol concerning the Collection of Union Membership Fees 1971

Central organisation level agreements between STTK and EK in the services sector

(the previous PT agreements):

- General Agreement 1989
- Co-operative Agreement 2001
- Shop Steward Agreement 2003
- Compensatory Penalty Record 2000
- Co-operative Agreement on Statistics 1978

Central organisation level agreements in the services sector between AKAVA and EK

(the previous PT agreements):

- Co-operative Agreement 2001
- Compensatory Penalty Record 2000
- Co-operative Agreement on Earning Statistics 1980

■ For more information on agreements between the central organisations see www.finlex.fi/normit
(select Collective Agreements)



LABOUR LEGISLATION

Labour legislation consists of norms that regulate the legal relationship, in other words the employment relationship, between the employer and the employee.

The Employment Contracts Act applies to contracts in which an employee or employees together personally commit to work for an employer under the employer's direction and supervision in exchange for payment or other form of compensation. The employment relationship is only formed when all the above-mentioned conditions are fulfilled. In practice, the evaluation of the existence of an employment relationship is made using overall consideration that takes into account the aim of the contracting parties, the title of the contract, the terms of the contract and the actual circumstances of working.

When work is performed in an employment relationship, the rights and duties of the employer and employee are governed by labour legislation. In addition to the Employment Contracts Act, the most important acts applying to the employment relationship of an individual employee are the Working Hours Act, Annual Leave Act, Study Leave Act and the Act on the Protection of Privacy in Working Life.

The starting point of labour legislation has been the protection of the employee. Because of this, labour legislation includes mandatory or absolute provisions, which cannot be deviated from by agreement to the disadvantage of the employee. These include provisions created for the protection of the employee on for example the security of employment, the preconditions of concluding a fixed-term contract, the duty to observe the stipulations of a generally applicable collective agreement, and the duty to pay wages when working is hindered by a reason not attributable to either the employer or the employee.

On the other hand, labour legislation also includes provisions that can be altered with a collective agreement or contract (e.g. the provision regarding sick leave compensation and some provisions concerning working hours). In addition, the laws of labour legislation contain provisions that will become applicable only if nothing else has been agreed.

Collective agreements have an important role in the Finnish system of determining the terms of employment relationships. The Collective Agreements Act governs the rights of an employer and employer organisation and, on the other hand, the employee organisation to agree on the terms applied to employment contracts and relationships in a way that binds the employers and employees. The collective agreements have in practice covered among other things the compensation paid for work done and working hours.

The terms of an employment relationship may in practice be determined by several different norms, such as the provisions of a law, the collective agreement, the employment contract or another agreement concluded at the workplace. The norm applied in each individual case is determined by the order of priority decreed by law.



Since both the provisions of laws and the stipulations of collective agreements have a minimum mandatory status, it is always possible to apply norms of a lower degree in order to agree on terms that are more favourable for the employee.

Current Finnish legislation can be found at www.finlex.fi and labour legislation translated into English is also available in the Ministry of Labour's homepages www.mol.fi.

■ www.finlex.fi

General provisions on employment relationships

The Employment Contracts Act (55/2001)

The Employment Contracts Act, which was reformed in 2001, is a basic working life law to be applied to work performed in an employment relationship regardless of the nature of that work.

The Employment Contracts Act is to be applied to the legal relationship between an employer and an employee when work is performed for the employer under the employer's direction and supervision, and when the employee is being paid for the work done. Finnish labour legislation and its minimum conditions will be applicable to work done in Finland regardless of the nationality of the employee.

The Employment Contracts Act decrees

- entering into an employment contract
- the responsibilities of the employer and employee
- the prohibition of discrimination (both in the employment relationship and the recruitment process)
- the determination of the minimum terms of employment
- the employee's right to family leave
- laying off an employee
- terminating the contract of employment
- the liability for indemnity
- contracts of employment of international nature and
- the position of employee representatives.



Prohibition of discrimination and obligation of equal treatment

The employer may not during the employment relationship or in recruitment treat workers differently unless there is a justified reason for doing so.³ The employer shall also otherwise treat the employees equally, unless making an exception in this is justified because of the position and tasks of the employees. In the employment relationships of part-time and fixed-term employees, less advantageous working conditions than those in other employment relationships may not be applied, unless this is justified for appropriate reasons⁴.

Minimum Terms of Employment

The minimum applicable terms of employment are determined by the generally applicable collective agreement. The employer has to at least adhere to the stipulations of the national representative agreement of the field in question, when it comes to the employment terms and conditions that concern the work the employee does or work closely related to it.

The government appoints a Commission for five years at a time which confirms whether the national collective agreement can be considered representative in its field and thus generally applicable. The decision of this Commission may be appealed at the Labour Court, the decision of which is final. The decision regarding the general validity of a collective agreement will be published in the Regulations Collection maintained by the authorities. Collective agreements confirmed as generally binding are available free of charge on the Internet in a list of generally binding collective agreements.

■ www.finlex.fi/normit/index

The duty to observe generally applicable collective agreements applies mainly to unorganised employers. An employer who according to the Collective Agreements Act is bound by such a collective agreement where the concluding party is a national employee federation is not obliged to observe the generally applicable collective agreement of the field.

³ Forbidden grounds for discrimination include age, state of health, disability, national or ethnic origin, nationality, sexual orientation, language, religion, opinion, conviction, family relationships, membership in a trade union, political activities or other similar matters.

⁴ The brochure "Syrjinnän sääntely ja työelämä" (Regulation of Discrimination and Working Life) can be found at www.mol.fi.



Family leaves

The purpose of family leaves is to help employees reconcile their family commitments and the obligations of their employment. Family leaves enable parents of small children to take leave from work for a fixed period of time to take care of their children.

Family leaves include the following:

- maternity, special maternity and paternity leave as well as full-time and partial parental leave⁵,
- full-time, part-time or temporary child-care leave and
- an employee's right to be absent from work for compelling family reasons.

The child-care leave allows a parent to stay at home to take care of a child or children full time for a fixed period of time.

The partial child-care leave makes it easier for parents to combine work and family life by shortening their working hours. Partial child-care leave may be realized by shortening the daily or weekly working hours taking into consideration the needs of the employee's family and the employer. Partial child-care leave is subject to agreement with the employer.

The temporary child-care leave entitles the parent of a child aged under 10 to stay at home to care for a child in case of an acute illness for a maximum of four working days.⁶

Termination of an employment relationship

Prerequisites for terminating an employment relationship by giving notice include a proper and weighty reason. This condition applies to giving notice due to both reasons relating to the employee's person or arising from changes in the employer's operating conditions. An employment contract can only be *cancelled* because of an *extremely weighty cause*. An acceptable reason would be such a serious breach of contract or negligence by one of the contractual parties that the other party could not be expected to continue the employment even to observe the period of notice.

Apart from reasons due to the employee, the employer can *terminate* the employee's contract based on *production-related or economical reasons* to do with their operations. In order to meet the requirement of a proper and weighty reason for the reason of giving notice, the work that the employer has available must have been reduced for economical or production-related reasons or reasons arising from a reorganisation of the employer's operations both *substantially and permanently*.

⁵ See below daily allowance to be paid for social security on the basis of the Sickness Insurance Act.

⁶ The brochure "Perhevaapaat – yhteinen asia" (Family Leaves – Our Common Interest) can be found at www.mol.fi.



This kind of grounds do not exist in case the employer either before giving notice or soon after the employment contract has been terminated employs another worker in tasks similar to those performed by the dismissed employee, even though the operating prerequisites of the employer have not changed in the period in question. In case the reorganisation of work has not in fact resulted in the amount of work being reduced, the employer has no grounds to give notice.

The compensatory system relating to unjust terminations of employment is uniform. The minimum amount of compensation must be equivalent to three months' pay and the maximum to 24 months' pay. The maximum compensation in case of an unjust termination of the employment contract of a shop steward, an occupational safety and health representative or an elected representative can be the amount equal to 30 months' pay. However, the provision regarding the minimum amount of compensation is not applicable, if giving notice is solely based on production-related or economic reasons. Neither is it applicable if an employer cancels an employment relationship without the extremely weighty reason stated in the Act, but there nevertheless are grounds for termination by giving notice.

Support for the employment of those dismissed for production-related and economical reasons (so-called change security)

From the beginning of July 2005, the so-called *change security* came into force to facilitate the re-employment of workers dismissed based on financial and production-related reasons. It also concerns fixed-term employees that have worked for a minimum of three years for the same employer.

During the period of notice, the employee is entitled to free time on full salary for looking for a job or taking part in other measures promoting re-employment. The amount of this leave depends on the length of the dismissed person's period of notice and is usually 5-20 working days. The employer also has duties of informing both the staff and the Employment Office.

Pursuant to the provisions of the Act on Co-operation within Undertakings, the employer must prepare a *plan of action* together with the staff. The purpose of this plan is that the co-operation at the workplace supports the employment of the employees in a logically proceeding chain of events consisting of gathering information, dissemination, joint planning and talks, in which are involved not only the representatives of the employer and the employees but also the labour authorities.

The tasks of the labour authorities were defined more accurately in the Act, and they are associated with disseminating information on the available services as well as assistance in the planning of measures relevant to dismissals. A dismissed employee who has been working for a minimum of three years has at his/her request a right to an *individual employment programme*. Employees with a fixed-term contract who are within the scope of the redundancy protection and those having given notice after a long-term layoff also have a right to an employment programme.



The operating model of the change security also includes the right to an *employment programme benefit* (an increased unemployment benefit) for a maximum of 185 days. The dismissed employee is only entitled to this in case an employment programme has been prepared for him/her and he/she takes part in such as labour political adult education as outlined in the employment programme.⁷

The preemptory nature of the Act

The Employment Contracts Act is basically preemptory by nature. The employer and employee may only agree otherwise in an employment contract when it comes to provisions that expressly state the possibility to do so. In addition, national employer and employee organisations may conclude collective agreements deviating from the Act in matters that have been specifically stated in the Act. Such collective agreement provisions may be complied with by employers both bound by the collective agreement pursuant to the Collective Agreements Act and the provision on the generally binding nature of the Collective Agreements Act⁸.

The Collective Agreements Act (436/1946)

In Finland, the central principles of collective bargaining have been recorded in the Collective Agreements Act. Collective agreements have two important functions: a collective agreement guarantees the employees minimum-level terms of employment, that is, determines employee benefits, and on the other hand, it contains an obligation to maintain industrial peace. The Collective Contracts Act includes provisions regarding the conclusion, applicability and observance of collective agreements, as well as obligations to maintain industrial peace at the workplace. The employer party may be one or more employers or a registered association of employers. The employee party must be a registered employee association. The term employer association refers to an association whose main purpose is to look after the employers' interests in employment relationships. The term employee association, on the other hand, refers to an association whose main purpose is to look after the employees' interests in employment relationships.

In collective agreements, the bargaining parties agree on the stipulations to be applied to employment contracts and relationships.

A collective agreement binds those involved, in other words employees and associations who concluded the agreement (the so-called normal applicability). It also binds those that later endorse it by the consent of those involved.

⁷ A brochure giving the details on Change Security can be ordered from the Ministry of Labour. It is also available at www.mol.fi.

⁸ "Työsopimuslaki 2001" (Employment Contracts Act 2001) can be found at www.mol.fi.



A collective agreement must be drawn up in writing and it may be either of a fixed duration or an agreement for an indefinite period subject to notice of termination. A copy and an electronic record of the signed collective agreement must be delivered to the Ministry in charge of occupational safety and health and their supervision. The employer party of a national collective agreement also has to submit to the before-mentioned authority records of the number of its member enterprises and the number of their employees grouped by the collective agreements applicable to their employment. Accordingly, the employee party of a national collective agreement has to submit to the above-mentioned authority their membership records of employed employees grouped by the collective agreements applicable to their employment.

If any part of an employment contract is in conflict with the provisions of the collective agreement applicable to the employment relationship, such part of the employment contract shall be null and void and the provisions of the applicable collective agreement shall be observed instead. An employee may not relinquish his or her lawful rights in an employment contract.

Disagreements deriving from the interpretation of the collective agreement are tried and decided in the Labour Court. In the Act on Mediation in Labour Disputes (420/1962), a mediation system is provided to aid the labour market organisations in avoiding industrial action. Otherwise according to the Collective Agreements Act, the employees and employers have the right to take collective industrial action.

The Posted Workers Act (1146/1999)

The Directive of the European Parliament and the Council on posting employees in another member country when providing services (96/71/EY) was put into effect by passing the Posted Workers Act (1146/1999). This Act entered into force towards the end of the year 1999. It applies to work performed in Finland based on an employment contract intended in the Employment Contracts Act. A posted worker refers to a worker who ordinarily works in another country than Finland and whose employer company based in another country has posted him or her in Finland for a limited time for the provision of cross-border services. The Act does not apply to seafaring employees on the ships of companies practising mercantile shipping.

The purpose of the Act is to ensure the posted worker certain minimum working conditions, such as a salary in accordance with the working conditions of the country in which the work is performed. Regardless of the law governing the employment contract of the worker posted in Finland, certain rules and regulations of the Finnish law shall apply in so far as they are more favourable to the employee than the law that is otherwise applicable.



The Non-Discrimination Act (21/2004) and prohibitions of discrimination

The purpose of the Non-Discrimination Act and the prohibitions of discrimination contained in employment relationship legislation is to ensure equal treatment of all job-seekers and employees and to protect them from discrimination in working life. The right to equal and non-discriminatory treatment is one of the basic rights. The Non-Discrimination Act requires authorities to promote equality in all their actions. In addition, the Employment Contracts Act contains provisions on the employer's duty to treat all employees equally.

The Non-Discrimination Act applies to basis of recruitment, working conditions, promotion in the career, education and the prerequisites of enterprising and support for industrial activities. The Non-Discrimination Act prohibits discrimination based on age, ethnic or national origin, nationality, language, religion, belief, opinion, state of health, disability, sexual orientation or other personal characteristics. Both direct and indirect discrimination are prohibited. The prohibition also covers harassment, an instruction or command to discriminate and counter-actions.

In addition, a person may not be treated differently because of their ethnic origin in social and health services, social security benefits or other benefits and advantages granted based on social reasons. This also applies to the offer and availability of goods, property and services including housing services between others than private individuals.

The person subjected to discrimination or a counter-action may claim compensation, the maximum amount of which is 15,000 euro. For a particular reason, a court of law may exceed this maximum amount. No compensation may be imposed in case this is regarded as a reasonable solution.

The Act on Equality Between Women and Men (609/1986)

The Act on Equality Between Women and Men (Equality Act) imposes a prohibition of discrimination based on gender in working life. The objective of this Act is the practical implementation of equality between women and men, and it is in particular aimed at improving the position of women in working life. The act has a general scope of application.

The Equality Act includes a general prohibition of discrimination. Pursuant to this Act, direct or indirect discrimination on the basis of gender is prohibited.

Discrimination in the Equality Act means

- treating women and men differently on the basis of gender,
- treating women differently for reasons related to pregnancy or childbirth or
- treating women and men differently on the basis of parenthood, family responsibility or any other gender-related reason.



Discrimination also includes actions which, because of the above reasons, in real terms result in people ending up with unequal status.

The Equality Act specifically defines what constitutes discrimination in working life. According to the Act, prohibited discrimination may be manifested in recruitment, selecting employees for different tasks or training, working conditions, compensation and other terms of employment, and neglecting the duty to eliminate sexual harassment and molestation. It may also be manifested as deteriorated working conditions or terms of employment after the employee has made appeal to the rights provided in the Equality Act, or for example as terminations or lay-offs. An employee who has been discriminated against in working life is entitled to claim compensation from the employer.

Promoting equality concerns all authorities alike. The Act imposes on every private and public employer the general duty to promote equality in a goal-oriented and systematic manner. Employers have to promote the equal positioning of women and men in different jobs and provide them equal opportunities to advance in their careers by offering training and career planning.

The Ombudsman for Equality and Council for Equality supervise compliance with the Equality Act.

■ For more information: www.stm.fi

Young workers

Special provisions for the protection of young workers were enacted at the beginning of 1994 in the Young Workers' Act (998/1993). This Act applies to work performed by a young person under 18 years of age (young worker) in an employment or civil service relationship. The occupational safety and health provisions of the Act also apply to students aged less than 18 in an apprenticeship or training exercises done at school. The Act aims at protecting young people from excessive work-related strain that could hinder their individual development. Young workers may only be given jobs that are not harmful to their physical or mental development. Furthermore, work may not require greater effort or responsibility than what is reasonable considering the age and strength of young workers.

The Act includes provisions on

- the conditions of admitting young people to work
- the regular working hours of young workers
- their maximum working hours
- the distribution of working hours
- the rest periods given to young workers and occupational safety and health
- the employers' responsibilities to provide training and guidance
- special responsibilities regarding specific safety measures and
- arranging medical examinations.



In terms of their permissibility, jobs can be divided into prohibited jobs, dangerous jobs, work to which no specific provisions are applicable and light duties suitable for young workers.

Other legislation applicable to young workers includes the Young Workers' Protection Act (508/1986), the Ministry of Social Affairs and Health's Decree on a List of Examples of Jobs Hazardous for Young Workers (128/2002) and the resolution of the Ministry of Labour regarding light duties suitable for young workers (1431/1993). General labour legislation shall also apply to young workers' employment, unless otherwise decreed in the specific legislation discussed above. Young workers employed on Finnish ships fall within the scope of the Seamen's Act (423/1978) and the Seamen's Working Hours Act (296/1976), which include provisions regarding young workers.

■ For more information: www.mol.fi and www.tyosuojelu.fi

Protection of Privacy in working life

The aim of the Act on the Protection of Privacy in Working Life (759/2004) is to implement the protection of privacy and other basic rights safeguarding privacy in working life as well as promoting good data processing practices. It applies to both employees and officials and job-seekers. The Act on the Protection of Privacy in Working Life complements the Personal Data Act (523/1999), which is a general Act applicable to processing of personal data, and the Act on Data Protection in Electronic Communications (515/2004).

The employer may only process personal data that is directly necessary for the employment relationship and concern the performance of the rights and duties of the parties in the employment relationship or the benefits offered by the employer to the employee or arise from the special nature of the job duties. The employer may not make exceptions to this provision of necessity even with the employee's consent.

The Act prescribes the procedures the employer has to follow when collecting and processing personal data relating to the employment or civil service relationship. The Act also includes provisions on personality and aptitude assessments, medical examinations and other testing, as well as the processing of information pertaining to the employee's health. The Act also contains provisions on drug tests, camera surveillance and protection of e-mail. The aim of the procedures prescribed in the Act is to improve the credibility of such as personality and aptitude assessments and the legal protection of job applicants. The employer's right to process information regarding the employee's health has been limited. The employer has no right to handle any genetic testing results.

The Act also encompasses a wider scope of matters concerning the co-operation of the employer and the employee. This includes data collected in the beginning and during the employment relationship as well as procedures for the technical



monitoring of the employee and the employee's use of data networks and e-mail. Not even co-operation procedures can violate the provision of necessity⁹.

■ For more information: www.mol.fi and www.tietosuoja.fi

Act on Checking the Criminal Background of Persons Working with Children (504/2002)

The Act on Checking the Criminal Background of Persons Working with Children entered into force in the beginning of the year 2003. The purpose of the Act is to protect the personal integrity of minors and to promote their personal safety. The Act provides a procedure by which the criminal background of persons chosen to work with minors, i.e. persons under 18 years of age, is checked.

The procedure of checking the criminal background is applied to work performed both in employment relationships and civil service relationships which involve on a permanent basis and to a material degree educating, teaching, caring for or looking after minors, or other work in personal contact with minors, without the attendance of a guardian. In order to be recruited in a job involving work with children, a private person can obtain information concerning him/herself in the criminal records free of charge. The procedure for checking the criminal background will also be applicable on the above conditions in the following working situations:

- the work service of persons undergoing non-military service
- the work of persons in coaching for working life, practical training or work try-outs
- the family care provided by a family carer
- private providers of social services and health care services, and
- morning and/or afternoon care for schoolchildren.

The employer or other party obliged to check the criminal background should ask the person selected for the above duties to show the extract of the criminal record referred to in the Criminal Records Act. The extract shows whether the person concerned has been sentenced to punishments for sexual offences, violent offences or drug offences pursuant to the Penal Code. The procedure for checking the criminal background is part of the person's aptitude discretion. The entry in the extract from the criminal record does not prevent the recruitment of the person or the granting of a licence, but the aptitude of the person will always be assessed by the employer or the authority.

The procedure to check the criminal background is not applied to employment or civil service relationships or work lasting for a maximum of three months.

■ Additional information www.mol.fi

⁹ "Työelämän tietosuoja" (Private Data Protection in Working Life) brochure can be ordered from the Ministry of Labour. It is also available at www.mol.fi.



Working Hours and Annual Holidays

The Working Hours Act (605/1996)

The Working Hours Act is a general Act applicable to both employees in employment relationships and civil servants, as well as the officials of municipalities, federations of municipalities and other public sector entities, unless otherwise decreed. The Act also includes a list of types of work it shall not apply to.

The Act basically is peremptory by nature, but national labour market organisations may by collective agreements or contracts negotiate contracts deviating from several provisions of the Working Hours Act. These provisions of the collective agreements and contracts can be applied to employment relationships in the public and the private sector both covered by these agreements and of those employees whose employers otherwise are obligated to comply with the agreements.

According to the Act, regular working hours may be based either on the general provision of an 8-hour working day or 40-hour working week, the stipulations of a collective agreement or an agreement based on them relating to a particular workplace, or a local agreement on regular working hours based on a generally applicable collective agreement or contract. The employer and an individual employee may also agree on regular working hours on certain conditions. Regular working arrangements can be based on the average usage of working hours, which means that the daily and weekly hours may vary as long as the working hours average 40 hours a week over a predetermined period. This period may be no longer than 52 weeks in duration.

Work may also be organized in periods so that the total working hours amount to 80 hours in two weeks or 120 hours in three weeks. The fields in which work in periods is possible are listed in the Working Hours Act. Occupational safety and health authorities may also grant an exception allowing periodic work, or it may be allowed by a stipulation in the collective agreement or contract.

The Act further includes provisions regarding overtime. Overtime may either be done per day or per week. Daily overtime refers to work that goes beyond what is allowed by the law to be the regular daily working hours. Weekly overtime, on the other hand, means work that exceeds the regular weekly working hours as decreed by the Act, excluding the daily overtime. Daily overtime normally begins after a person has worked for eight hours during the daily 24-hour period. Weekly overtime consists of any hours exceeding the 40-hour week and excluding daily overtime. Overtime is compensated with a higher rate of pay.

The Act also determines limitations on overtime. The employer can have the employees working a maximum of 138 hours of overtime during each four-month period. During a calendar year, the employer can have the employee do a maximum of 250 hours of overtime. In addition, it is also possible to agree at the workplace on



the doing of an additional 80 hours of overtime. Even in this case, the 138-hour limit over four months must be observed. The employee has to agree to work overtime.

Besides regular and overtime working hours, the employer may have the employees work emergency hours based on certain provisions of the Act. The reason for emergency work has to be an unforeseen event which has interrupted the normal operation of a business, a plant or an establishment or seriously threatens to lead to such an interruption or constitutes a serious threat to life, health or property.

The Annual Holidays Act (162/2005)

The Annual Holidays Act applies with certain restrictions to work in an employment or civil service relationship in both the private and the public sector. The Annual Leave Act stipulates the length of annual leave, pay during annual leave, holiday remuneration and the granting of annual leave. The Annual Leave Act is mainly based on the principle of earning: the leave is earned by working during *the holiday credit year; the time period starting on 1 April and ending on 31 March*. There are two rules governing the accrual of annual leave. Those who according to their contract work for a minimum of 14 days *during all months* are within the scope of the *14-day rule*. Those who according to their contract work for a minimum of 35 hours *during at least one month* and who are outside the scope of application of the 14-day rule are covered by the *35-hour rule*.

The accrual of annual leave is calculated according to the holiday credit months. Depending on the length of the employment relationship, either 2 or 2.5 working days of annual leave are earned for each *full holiday credit month*. In employment relationships that have lasted for less than a year, 2 working days of leave and in employment relationships having lasted for more than a year, 2.5 working days are earned for each full holiday credit month before the end of the holiday credit year. As a full holiday credit month is considered a calendar month during which workers covered by the 14-day rule have accrued at least 14 working days or days comparable to working days, and persons covered by the 35-hour rule have accrued at least 35 working hours or hours comparable to working hours.

When calculating a full holiday credit month, specifically detailed days of absence are considered comparable to working days or hours. These include such as days of annual leave or sick leave, maternity, paternity or parental leave, days of temporary child-care leave, study leave and days of layoffs with restrictions prescribed in the Act.

Those employees falling outside the scope of the earning rules (in other words those who, based on their contract, *work for less than 35 hours every month*) are entitled to *a leave equivalent to the annual leave*. For the time of the leave, a holiday compensation is paid. The right to a leave equivalent to the annual leave also concerns domestic workers, the family members of the employer in an employment relationship in case no external workers are employed by the employer, and employees



in consecutive fixed-term employment relationships with the same employer. Two working days of leave can be obtained for each month the employment relationship has been valid. In employment relationships that have lasted for more than a year, the employee has the right to a leave of four weeks.

Those employees within the 14-day rule that work for a weekly wage or monthly salary receive their normal pay during the annual leave. *Those employees within the 35-hour rule* receiving a weekly wage or a monthly salary, who *according to their contract work a minimum of 35 hours a month during all months* also receive their normal pay during the annual leave.

The holiday pay of those employees within the 14-day rule being paid by the hour is determined based on coefficients determined by the average daily wage and the duration of the holiday in number of days.

The holiday pay of *employees covered by the 35-hour rule being paid by the hour or receiving performance pay* is determined as a percentage share of the wages paid during the holiday credit year. If the employment relationship has lasted for a year by the end of the leave qualifying year, the holiday remuneration is 11.5%, and in employment relationships shorter than this, it is 9% of the earnings. To the basic holiday pay, any pay not received during absences due to maternity, special maternity, paternity and parental leave and temporary child-care leave or an absence due to a compelling family reason is added. In these calculations, also pay not received during sick leave or rehabilitation and periods of layoffs up to the amount prescribed in the law is taken in consideration. The percentage-based calculation of holiday pay also includes those *employees covered by the 35-hour rule and receiving a weekly or monthly salary* who according to their contracts only work a minimum of 35 hours in some months.

The *holiday compensation* paid to the employee as the employment relationship is terminated for the part of leave that was not received is calculated following the holiday pay rules above.

The annual leave is earned and held in working days. In the application of the Annual Leave Act, the Independence Day, Christmas Eve, Midsummer Day's Eve, Easter Saturday and First of May are not counted as working days. 24 working days of the annual leave, or the *summer holiday*, shall be taken during the holiday season, or the period between 2 May - 30 September inclusive. The remainder of the leave, or the *winter holiday*, must be granted no later than by the beginning of the following holiday season. The employer and the employee may agree on the time of the annual leave within the limits prescribed in the Act.

The employee has the right to save the part of leave exceeding 24 days to be taken at a later date. The employer may forbid the saving of the leave for a justified reason only. In addition, the employer and the employee may agree on saving the part of the leave exceeding 18 days and taking the part of leave exceeding 12 working days by no later than in connection with the annual leave of the following holiday season.



The annual leave pay must be paid before the start of the holiday. The holiday pay for no more than six days of leave (such as the pay for a winter holiday) may be paid on the usual payday.

- Additional information on the Working Hours Act and annual holidays can be found at www.mol.fi and www.tyosuojelu.fi

Job-sharing and Studying

Job Alternation Leave

Pursuant to Acts in force for a fixed term, job alternation leave has been experimented with since the beginning of 1996. The new Act on Job Alternation Leave (1305/2002) entered into force at the beginning of 2003 and will be valid until the end of 2007.

The purpose of the new Act is to promote the worker's well-being at work, simultaneously providing an unemployed jobseeker an opportunity of getting work experience through fixed-term employment at the open labour market. To the employer, on the other hand, it gives a chance of providing the working community with new skills.

The employer and the workers can agree that the worker takes job alternation leave to be used in any the way the worker wishes. The requirement for getting job alternation leave is that the employers bind themselves to recruiting an unemployed job-seeker from the employment office as a substitute during the job alternation leave. Another prerequisite for getting job alternation leave is that the person is a full-time worker (working time exceeds 75 % of the working time for full-time workers in the branch), and that his/her time at work and employment relationship with the employer have lasted a consecutive period of at least one year before starting the job alternation leave. The worker should also have a work history of at least 10 years as prescribed by the employment pensions legislation.

The job alternation leave must last no less than 90 and no more than 359 calendar days. During this period, the employee's employment relationship is dormant. After the leave, the employee has the right to return to his/her previous job or a job comparable to it. An employee may not be dismissed because of the job alternation leave, but in other ways an employee on a job alternation leave does not enjoy any better protection from termination than any other employee. The employee will receive job alternation compensation for the period of the leave. It is 70 % of the amount the employee would receive as unemployment compensation in the case of unemployment. If the employee has a work history of at least 25 years, the compensation is 80%.

The substitute should primarily be a young unemployed person recently graduated or a long-term unemployed person. The unemployed person need not be employed for the same duties the person taking job alternation leave has left.



Part-time Supplementary Benefit

At its discretion and subject to available appropriation, an employment agency may grant a part-time supplementary benefit to offset the reduced income of an employee who voluntarily transfers from full-time work to part-time work. Such a benefit is available to an employee for up to 12 months. Transferring to part-time work has to be based on a mutual agreement between the employee and the employer, and the employer has to agree to hire an unemployed job-seeker registered with an employment office as a substitute for the same period.

The part-time supplementary benefit may be granted to an employee who has been employed by the same employer for at least one full year without interruption. The benefit amounts to 50% of the difference between the full-time and the part-time wages of the employee, not however exceeding 720 euro.

The aim of the part-time supplementary benefit is, besides creating job opportunities for the unemployed, to help aging employees cope better at work. The substitutes are selected among people who have been unemployed for at least five months during the previous six months or are over 55 years old.

Study Leave

The purpose of the statutory study leave system is to give the working population better chances of training and studying. Studies do not have to relate to the employer's operations, and the employee may freely choose what to study. Study leave is unpaid, unless otherwise agreed with the employer. It is possible to receive financial aid for continuing education for vocational studies or training as decreed by the applicable Act. An employee taking study leave has the right to return to the same or corresponding job, but there is no special protection from termination to guarantee the return.

The right to take study leave concerns employees, civil servants and officials. Persons whose full-time employment with the same employer has lasted for one year in one or more periods are entitled to study leave. The maximum length of study leave is two years over a five-year period. It can be taken in one or more instalments. If the employment has lasted for less than a year but at least three months, the maximum length of study leave is five days.

In principle, during study leave the employee does not accumulate benefits that would otherwise come with the employment relationship. However, the employee does accrue annual leave for no more than 30 days of study leave. Study leave can also be interrupted on certain conditions.

■ Additional information on job alternation leave, part-time supplementary benefit and study leave can be found at www.mol.fi



Involvement of employees' in undertakings

Act on Co-operation within Undertakings (725/1978, Act on Co-operation)

The aim of the Act on Co-operation is to develop the operation and working conditions of enterprises by giving wage-earners and salaried employees more opportunities to influence matters concerning their own work and workplaces and by increasing co-operation between the employer and the employees as well as inter-personnel co-operation.

The parties in the co-operation are the employer and the personnel of the enterprise. The co-operation is implemented on two levels: between the wage-earners and salaried employees and their supervisors and between the personnel representatives and the employer. The personnel representative the most often is the shop steward.

The Act on Co-operation is a procedural act. Before the employer decides on a matter that is within the scope of the co-operative procedure, he needs to negotiate on the reasons, effects and alternatives of the action envisaged with the wage-earners and salaried employees or representatives of the personnel concerned.

The employer must give a written proposal for the negotiation at least three days or, if the procedure will have effects on employment security, five days prior to the beginning of the negotiations. The employer shall list in this proposal the subjects that will be discussed during the negotiations.

The most central matters covered by the co-operative procedure are:

- essential changes affecting the personnel's position in the duties, work methods, arrangements of work or transfers from one task to another
- machinery and equipment purchases, rearrangements of the work space, as well as changes in the product range or services that essentially affect the personnel
- closing of the business or any part of it or its transfer to another location or its essential expansion or cutting down of its operations
- impacts on personnel caused by a transfer or merger of the business
- personnel decisions due to production-related or economic reasons
- principles and methods of recruitment, data collected during recruitment and employment and information given to a new employee, as well as arrangements of introduction of newcomers to their work duties
- the purpose and introduction of as well as the methods used in the technical supervision of personnel, and the use of e-mail and data network
- plans regarding staff and training
- use of outside labour.



Obligation to negotiate

The obligation to negotiate has been fulfilled when the matter has been negotiated between the co-operative parties. If the matter involves making someone a part-time employee, lay-offs or terminations of employment relationships, the obligation to negotiate has been fulfilled as soon as the matter has been agreed in the co-operative procedure or after a certain period of time has elapsed since the negotiations began.

When the matter involves making up to nine wage-earners or salaried employees part-time, or laying them off or terminating their employment relationship, the fulfilment of the obligation to negotiate requires that at least seven days pass since the beginning of the negotiations unless an agreement is reached before that. If the measure will lead to making at least ten employees part-time or terminating their employment relationship or laying them off for over 90 days, the fulfilment of the obligation to negotiate requires that six weeks will pass from the beginning of the negotiations, unless an agreement is reached before then.

After a transfer of the business, it needs to be determined through the co-operative procedure whether the transfer has any effects on the personnel. The employer has to give notice of such negotiations within a week after the transfer has taken place. The person making the transfer and the receiving enterprise are obligated to notify the representatives of the employees concerned of:

- the reason for the transfer
- the judicial, economic and social consequences for the employees due to the transfer
- the planned measures regarding the employees.

The above information has to be given to the employee representatives in good time before the transfer takes place.

Co-operation within Groups

A Finnish group that has at least five hundred employees in Finland has to conclude an agreement on co-operation within the group with those affiliated companies that have at least thirty employees. The agreement may involve the management of all arrangements necessary for co-operation within the group, such as dissemination of information, negotiation procedures and personnel representation, as well as realizing inter-personnel interaction. If an agreement regarding co-operation within the group cannot be reached, the co-operation has to be arranged following the minimum requirements included in the Act (*national co-operation within groups*).

In accordance with the Directive 94/45/EC of the European Union, the Act also applies to the establishment of a European Works Council or another procedure for informing and consulting the employees in multinational undertakings (*international co-operation within groups*.)

The Ministry of Labour and the labour market organisations monitor compliance with the Act on Co-Operation.



The Act on Personnel Representation in the Administration of Undertakings (725/1990)

The Act on Administrative Representation gives the personnel a right to take part in the processing of matters that involve company business or the position of personnel in the administrative board, board of directors or management group of the company. The representation is to be agreed between the company and the personnel. If no agreement can be reached regarding personnel representation, representation nevertheless has to be organised in compliance with the minimum requirements of the Act. The Act is applicable to companies that have a minimum of 150 employees.

The personnel representatives basically have the same rights, duties and responsibilities as the members elected by the company in the relevant organ. However, they do not have the right to take part in the processing of matters that involve elections or dismissals of the company management, terms of managerial contracts, terms of personnel employment relationships or measures in case of industrial action.

The Act on Personnel Funds (814/1989)

A personnel fund means a fund owned and controlled by a company's or government agency's personnel with the purpose of managing the profit bonus items paid to it by the company or government agency and other assets covered by the Act on Personnel Funds.

This Act, which came into force in the beginning of 1990, created the premises for establishing personnel funds in companies. In 1999, the scope of applicability of the Act was widened to include government agencies and institutions, as well as government enterprises (referred to as agencies further on). The Act is applicable to a personnel fund established by companies and government agencies and the people (personnel) employed by them. The members of a personnel fund comprise the entire personnel of a company or a government agency, excluding the upper management.

A personnel fund may be established in a company or government agency that has at least thirty employees. It may also be established in a profit centre of a company or government agency, if such a unit has a minimum of ten employees. Two or more companies may only establish a joint personnel fund if they belong to the same group.

Each member's capital is deposited into the fund, and the capital is divided into funds that can be withdrawn and those that are bound. A member may withdraw from the withdrawable funds once he or she has been a member for five years.



Act on Personnel Representation in a European company (SE) (758/2004)

A European company is a new company form through which it is possible to engage in business over the whole area of the European Union in the name of one company. The Act on Personnel Representation in a European Company transposes in Finland the European Union Directive on complementing the regulations on European Companies with personnel representation. Personnel representation refers to a system through which staff representatives can influence decisions made in the company.

For the purposes of negotiating personnel representation, a specific negotiation group representing the staff of the European company (SE company) is set up. The tasks of this group is to negotiate an agreement concerning personnel representation. In case no agreement is reached within the time limit or if the parties so agree, the secondary provisions of the Act are applied in personnel representation. The Act also contains provisions on duty of secrecy of personnel representatives and experts, protection of the personnel representatives, exemption from work and reimbursements of loss of earnings, cost liability for organising personnel representation as well as the penalties for neglecting the provisions or the agreement's clauses.

Compliance with all the Acts discussed above is monitored by the Ministry of Labour. The Act on Co-operation is also supervised by the labour market organisations.

■ For more information on employee involvement, visit www.mol.fi

Pay Security

Pay security means that the State secures the payment of an outstanding balance due to an employee based on an employment relationship in case the employer goes bankrupt or becomes insolvent. The pay security authority investigates the insolvency of the employer and the premises of remitting pay security based on the employee's claim. All such outstanding balances may be paid as pay security that the employer would be obliged to pay the employee. Outstanding balances have to be applied for as pay security within three months after their falling due. Pay security is only paid to employees in employment relationships. An employment relationship entails that an employee works for the employer under the employer's direction and supervision in exchange for payment or other form of compensation. Pay security does not apply to the managing director of a corporation, accountable partner of a limited partnership, partner of a general partnership or a sole proprietor. In addition, other people who have exerted control in the enterprise may not be eligible for pay security.

The maximum amount of pay security remitted to an employee is 15,200 euros for work performed for the same employer. There is no maximum, however, decreed for the pay security of seamen. Seamen must apply for pay security within one year from the emersion of the outstanding balance.



The Unemployment Insurance Fund annually pays the State back in arrears the difference between the paid pay securities and the monies recovered from the employers. The funds needed for such payments are collected from the employers as unemployment insurance premiums. The provisions concerning pay security are contained in the Pay Security Act (866/1998) and the Seamen's Pay Security Act (1108/2000).

■ For more information: www.mol.fi

The Education Fund

The purpose of the Education Fund is to support vocational adult training. The most central form of support for the training of employed personnel is the adult training benefit. The precondition for receiving the adult training benefit is a work history of no less than 10 years and a current employment or civil service relationship of at least one year with the same employer. In addition, the applicant has to take unpaid study leave for at least two months. The adult training benefit consists of a basic part which is 500 euro and an earnings-related part determined on the basis of the wage. The earnings-related part is 20 % of the average monthly wage of the applicant up to monthly earnings of 2,700 euro, and 15 % of the part exceeding it. One full working month of the work history accrues the period for receiving the benefit by 0.8 days, and the applicant may in advance use a calculatory benefit period until the age of 60 years. In practice, the duration of the benefit can be a maximum of 18–19 months.

■ For more information: www.koulutusrahasto.fi

Occupational Safety and Health

Supervision of compliance with the provisions of labour legislation mainly is the statutory duty of the occupational safety and health authorities. Pursuant to the Occupational Safety and Health Act, the Ministry of Social Affairs and Health manages the occupational safety and health administration on the national level. On the local level, the officials of eight occupational safety and health inspectorates (inspectors) supervise occupational safety and health.

The inspectors of occupational safety and health inspectorates carry out inspections as often and as efficiently as necessitated by the supervision. The compliance with a decision is mainly supervised by means of occupational safety and health inspections, during which the inspector gives guidance and advice promoting both occupational safety and health at the workplace and the workplace's occupational safety and health co-operation between the employer and employees.

While performing their duties, the occupational safety and health authorities are entitled to resort to compulsion. The occupational safety and health authority



can oblige the employer to take the measures ordered in an inspection within the stipulated deadline. The order may be enforced with a conditional imposition of a fine and the imposition of the implementation. The occupational safety and health authority may also interrupt a work process or prohibit it completely.

Occupational Safety and Health Act (738 /2002)

The newly reformed Occupational Safety and Health Act (738/2002) is a basic law in the field of occupational safety and health. It applies to work performed under an employment contract, in a public service relationship or a similar service relationship under public law. In addition, the Act is also applicable to a pupil's or student's work during practical training, a labour political measure, rehabilitation or rehabilitating work activities as well as military and civil service and the work performed by a person serving a sentence in a penal institution. The purpose of the law is to improve the work environment and conditions in order to protect and maintain the employees' ability to work. Its purpose also is to prevent and avoid accidents at work, occupational diseases and other hazards caused by work or the work environment to the employees' physical and mental health.

The Occupational Safety and Health Act obliges the employer, when evaluating, planning and implementing measures concerning the workplace, to take into consideration all aspects relating to the work, working conditions and qualities that are reasonably necessary to protect the employees from accidents or work-related health hazards. The employer must ensure that the employee is given the necessary instruction and guidance. Similarly, the employee must for his or her part ensure that the given instructions are followed. The employer and the employee are to exercise co-operation in improving occupational safety and health at the workplace.

The Occupational Health Care Act (1383/2001)

Since 1979, it has been the employer's duty to arrange for the employees occupational health care at the employer's expense. The reformed Occupational Safety and Health Act came into force in the beginning of 2002. The employer is reimbursed by the Social Insurance Institution of Finland. The Act and the Decrees complementing it include provisions regarding the content and implementation of occupational health care as well as on measures through which the employer, employees and occupational health care can in co-operation promote the prevention of work-related diseases and accidents, the health and safety of work and the work environment, the operation of the work community and the employees' health and ability to work and function at different stages of their careers.

■ For more information on occupational safety and health:

www.tyosuojelu.fi, www.fi.osha.eu.int and www.stm.fi



INDUSTRIAL PEACE AND THE RIGHT TO INDUSTRIAL ACTION

The employer and employee parties bound by a collective agreement may not during its validity take industrial action that is directed against the collective agreement as a whole or any of its stipulations. The parties and their subordinate associations have the duty to supervise the preservation of industrial peace. A single employer and/or an employee or employer/employee association may be sentenced to pay a compensatory fine for breaking the industrial peace.

Once the collective agreement has expired, i.e. during a period with no valid agreement, the wage and salary earner party may put pressure on the employer by strikes or other measures of industrial action. The employer, on the other hand, may use a lockout. Political strikes and sympathy strikes are allowed. The trade union movement thus also has excellent means of exerting pressure on the government.

Short four-hour to eight-hour stoppages and illegal strikes at individual workplaces were common especially in the 1970's and in the beginning of the 1980's, when approximately 1,600 of these took place each year. In the 1990's, the number of these illegal strikes decreased to a couple of dozens per year.

Public officials gained the right to industrial action and the employers a similar right to use lockouts in 1970. The Public Service Dispute Committee formed jointly by the parties investigates the possible danger an intended industrial action could cause the society. Despite the right to strike, strikes remained uncommon in the public sector in the 1970's but became more wide-spread in the 1980's and 1990's. Such groups as nurses, doctors, teachers and civil servants took industrial action.

Incomes policy (TUPO) agreements have resulted in multi-year collective agreements and strikes carried out by trade unions have become fairly uncommon.

Interest disputes and legal disputes

A permanent arbitration procedure for labour disputes has been created to deal with interest disputes arising from working life. The so-called legal disputes concerning the contents of collective agreements or breaches of these can be taken to the Labour Court. Legal labour disputes that do not concern collective agreements can be taken to public courts.

Arbitration procedure for conflicts of interest disputes

The purpose of this system is to help labour market organisations reach a collective agreement when the negotiations have stalled. At the moment, there is one Public Conciliator and six part-time regional conciliators to arrange the arbitration



procedures. The parties have by law the duty to arrive to the arbitration, but they do not have the duty to accept the arbitration proposal the conciliator may present.

Negotiations regarding legal disputes

If disagreements arise at workplaces regarding the contents of the collective agreement or its interpretation or if it appears that the agreement may have been breached, attempts are usually made to solve the dispute in workplace level negotiations. If the matter cannot be solved between the employees and the employer, the negotiations will continue between the employer and the shop steward representing the trade union. If the negotiations still do not produce a solution, the matter will be forwarded to be negotiated between the employer and the wage and salary earners' unions. If no solution can be found at this level, either one of the unions may take the matter to the Labour Court. Disputes arising from the interpretation of collective agreements in the public sector can ultimately also be taken to the Labour Court.

The Labour Court

The Labour Court was established in 1947. Its jurisdiction comprises settling matters concerning the legitimacy, validity, contents and scope of collective agreements and contracts, as well as the correct interpretation of a certain stipulation. The Labour Court also decides the amount of compensatory fine for an illegal strike. The decision of the Labour Court is final.

■ For more information on the Labour Court, visit its home pages at www.oikeus.fi/tyotuomioistuin/

■ For more information on the arbitration of labour disputes, visit: www.mol.fi





SOCIAL SECURITY

The Finnish social security system is quite extensive. In addition to a subsistence benefit proportionate to income, the social security system guarantees basic subsistence and services for the entire population. Central social security benefits include the pension security, sickness benefit, maternity, paternity, parental and special maternity benefits, as well as the unemployment benefit and labour market support. In case an employee has not accrued earnings-linked social security, he/she will be paid a minimum amount benefit; in unemployment benefit, a labour market support; in health insurance, the minimum benefit and in the pension system, the national pension.

Health Insurance (1224/2004)

Based on the provisions of the Health Insurance Act, insured persons will be paid sickness benefit and parental benefits (maternity, special maternity, paternity and parental benefits). The purpose of the sickness benefit is to compensate the loss of income due to disability caused by an illness. It is paid to people between the ages of 16 to 67, who due to an illness are not able to perform their regular work or closely comparable work.

The right to the benefit begins once the disability has lasted longer than the waiting period, the length of which is the day the sickness occurred plus nine subsequent weekdays. The daily benefit is paid for weekdays only, including Saturdays. The benefit is paid till the end of the calendar month followed by the month in which it will be 300 weekdays since the daily benefit started.

The benefit is determined first and foremost according to the taxable income of the insured person, based on the taxable income verified the year before the disability began. In practice this means that a benefit starting in 2005 is based on the income in 2003. If the income of the insured person has essentially increased from the last verified taxable income, the insured person may request that the benefit be verified based on the income six months prior to the disability, provided that the income is at least 20% higher than that verified as the last taxable income. Since October 2005, the benefit can also be determined based on so-called intermittent working, in case the working of the insured person would without the starting of the disability or parental leave have continued for a minimum of six months. If the annual income remains under the decreed income level (1,054 euro in 2005), no daily benefit will be paid.

The subsistence during sickness of those without an income or on a low income is safeguarded by the minimum amount daily benefit, which is 15.20 euro a day. In case a minimum amount of the benefit is paid because the insured person has been without self-employed work or gainful employment by his or her own fault, sickness benefit may only be remitted after the disability to work has continued for a minimum



of 55 days without interruption. In some cases, the person may be entitled to the minimum benefit immediately after the before-mentioned waiting period.

A person working in Finland may due to pregnancy, childbirth or child care take maternity, paternity or parental leave, for which time the person will be paid maternity, paternity or parental benefit. The purpose of these benefits is to compensate for the loss of income and guarantee a basic subsistence for those with no income. This is realized with the maternity, special maternity, paternity and parental benefits pursuant to the Social Security Act.

A person resident in Finland giving birth is entitled to a *maternity benefit* when the pregnancy has lasted for a minimum of 154 days and she has been insured in Finland for at least 180 days immediately preceding the childbirth. The right to maternity benefit begins no sooner than 50 and no later than 30 working days before the calculated time of birth. Within these time limits, the mother can choose when she wants to start receiving the maternity benefit. The maternity benefit period ends when the benefit has been paid for 105 weekdays.

Special maternity benefit is paid by law to a pregnant insured person, if her work duties or working conditions endanger her health or that of the foetus. Another requirement is that the hazard cannot be eliminated and the employer cannot arrange for the employee to perform another kind of work as decreed in the Employment Contracts Act, and the insured person has to be absent from work due to these reasons before the actual maternity benefit period begins. Pursuant to the Employment Contracts Act, the employer has to transfer the pregnant employee to other suitable duties considering her skills and ability to work, if the before-mentioned hazard at the workplace cannot be eliminated.

A father living in Finland, who has resided in Finland for 180 days preceding the calculated time of childbirth, is entitled to a paternity benefit when he takes part in caring for the child and is not gainfully employed or otherwise employed outside the home during this time. Work refers either to being employed by someone else or being a self-employed person. A person is considered self-employed if he/she performs work in his/her own or a family-owned enterprise, business, trade, agriculture or forestry, does independent scientific work, or is studying at an institution or taking a trade course which correspond to full-time employment. The so-called telework is also considered gainful employment. Another condition for the father's paternity or parental benefit is that the father lives in the same household with the child's mother either in marriage or common-law marriage. The paternity benefit period can be 1-18 weekdays and it can be divided into up to four phases during the maternity and parental benefit period.

The right to parental benefit begins immediately after the maternity benefit ends. The parental benefit can be paid either to the mother or father, but not to both of them for the same period. Based on the birth of one child, it will be paid for 158 weekdays. If more than one child are born from the same pregnancy, the period will be 60 days longer per child, counting from the second child. The father of families



with twins, triplets and corresponding multiple births may, if he wants to, use the extension period for multiple birth families even during maternity leave, either to its full extent or partially.

If the father of a child takes parental leave during the last two weeks of the parental benefit period, he is entitled to 12 new paternity benefit days as an additional benefit. By this arrangement, the father is given an opportunity to take a consecutive paternity leave period of four weeks. An adoptive father has the same right to a paternity benefit as a biological father.

If the mother falls seriously ill during the maternity benefit period and is not capable of taking care of her child, the father is entitled to parental benefit, if the illness of the mother lasts for at least for the qualifying period required of the daily sickness allowance, i.e. nine weekdays in addition to the day on which the mother fell ill.

The maternity, special maternity, paternity or parental benefit is determined based on the parent's income similarly to the sickness benefit. However, the maternity, special maternity, paternity or parental benefit is always a minimum of 15.20 euros per day. There is no qualifying period for these benefits. Since October 2005, the daily benefit can be determined based on the income on which the last parental benefit was determined in case of so-called subsequent births.

From the beginning of 2003, it also is possible to take partial parental leave. The parents of young children can share the responsibility for caring for the child by simultaneously taking parental leave and being in part-time work. The shortening of the working time is based on a mutual agreement between the employer and the worker, and the agreement on part-time work should be made for at least two months. Entrepreneurial parents are also entitled to partial parental benefit on similar conditions.

A system of compensation for annual holiday costs is associated with the family leaves. The employer can apply for compensation for the annual holiday costs of his/her worker which have arisen during the family leave. The compensation may be made by one application after the end of the family leave period or family leave months. The application has to be made within six months of the end of the last leave. Compensation is also paid for holidays held as saved leave.

Unemployment security (1290/2002)

A new Act on Unemployment Security entered into force at the beginning of 2003. It includes provisions on unemployment benefits and labour market support. The purpose of the new Act is to clarify the regulation on income security during unemployment.

A person 17-64 years of age living in Finland is entitled to the benefit paid due to unemployment, if she or he is totally or partially unemployed and is registered as an unemployed job-seeker in the employment agency. This benefit will be paid for



no longer than until the end of the calendar month in which the person turns 65. The person has to be able to work, available at the labour market and seeking full-time employment, even though it has not been possible to provide work or suitable training for him or her.

Based on unemployment, the person will be paid either an unemployment benefit or a labour market support. The unemployment benefit is either a daily benefit based on income or a basic benefit.

The income-based benefit is paid by the unemployment benefit society to a person who has previously insured him/herself against unemployment with the unemployment benefit society. The membership is voluntary. Wage and salary earners and entrepreneurs have their own unemployment benefit societies. The amount of the daily benefit based on income is determined by looking at the established income level of the person prior to the unemployment. The *basic benefit* is paid by The Social Insurance Institution of Finland.

The special condition for the payment of an income-based benefit or the basic benefit is that the person fulfils the working time condition, which can be fulfilled either if the person has been a paid labourer or an entrepreneur. As a rule, a wage and salary earner's time at work condition becomes fulfilled if the person has worked for 43 weeks in a task fulfilling the conditions of working time and wage during a period of 28 months preceding the unemployment. The time at work condition of a wage/salary earner who has earlier received an income-based or basic benefit according to law is fulfilled when he or she has worked for 34 weeks in tasks accruing the time at work condition during the preceding 24 months. An entrepreneur's working time condition is fulfilled, if he or she has practiced entrepreneurship to an essential extent for 24 months over a 48-month period.

Labour market support is paid to a person who does not fulfil the time at work condition set for the payment of the unemployment benefit or who already has received the unemployment benefit for the maximum of 500 days. The purpose of the labour market support is to advance the person's placement at the labour market, and it is also paid during labour political measures. The payment of the labour market support when no labour market political measures are being taken usually requires a need for economic support. There is no maximum time limit for the payment of the labour market support, and it is paid by The Social Insurance Institution of Finland.

Benefits based on unemployment are paid after a waiting period, and they are paid for five days a week. If the person has an income during the period of unemployment, it will decrease the paid benefit. The full amount of the basic benefit or labour market support in 2006 is 23.50 euros per day. A person with dependents will receive a raised benefit.



Pension Security

In Finland, pension security is a combination of two parallel pension systems. *The national pension system* secures a minimum income for a person who has lived in Finland for a minimum of three years after turning sixteen. The amount of the national pension is tied to the time lived in Finland, so that a person who has lived in Finland for 40 years can receive a full national pension. The amount of national pension is tied to the employee pension and certain other compensations so that if the person's employee pensions in 2006 exceed approx. 47 euro a month, they reduce the amount of national pension. In 2006, if the employee pensions total around 1,046 euro a month or more, no national pension will be paid notwithstanding the municipality category and family relationships.

The employee pension system includes employee pensions from private industries and the pension systems of the public sector (state and municipalities). The purpose of the employee pension system is to ensure that the insured person's standard of living will remain the same at and during retirement. The amount of the employee pension is determined according to the income the pension is based on and the length of time worked. Pensions included in the employee pension system are among others old-age, part-time, unemployment, disability and survivors' pensions.

An old-age pension can be granted to an employee or an entrepreneur who has reached the retirement age. Usually it also entails that the employment or service relationship is ended. A person can take the old-age pension any time between his or her 63rd and 68th birthdays. In certain professional categories of the public sector, even a pensionable age lower than this is possible.

The early old-age pension can be applied for no earlier than from the beginning of the calendar month following the month in which the person turns 62. The early old-age pension is permanently smaller than the normal old-age pension. Correspondingly, it is also possible to postpone retirement till after the normal retirement age. In the private sector, the pension is then increased by a postponement bonus.

A part-time pension may be granted to long-term employees or entrepreneurs 58-67 years of age who transfer from full-time work to part-time work.

A long-term unemployed person in the age group 60-64 who was born before the year 1950 and who has been receiving the unemployment benefit for the maximum period can on certain conditions be granted *an unemployment pension*. The pension can be granted provided that the applicant has been gainfully employed for at least five years in the past fifteen years and cannot be offered the type of work the turning down of which would result in forfeiting the entitlement to unemployment benefit. To an employee born before 1945, a retroactive period of review of 20 years may be applied instead of 15 years on conditions more accurately specified by law.

A disability pension can be granted to an employee or entrepreneur under the age of 63 who has an illness reducing his/her ability to work and whose disability is estimated to continue for at least a year. In addition to medical facts, what is also considered when determining a person's ability to work is his/her ability to acquire



earned income performing such available work that the person could within reason be expected to perform considering his/her age, education and previous activities and other similar factors. In addition, the vocational nature of the disability of an employee who has turned 60 is emphasized. The disability pension becomes an old-age pension from the beginning of the calendar month following the month in which the person turns 63. In the public sector it is enough that a person is no longer able to take care of his or her post or work duties. The disability pension may be granted for the time being or as an individual early retirement pension.

A rehabilitation benefit may be granted if the ability to work can be expected to be restored at least partially through treatment or rehabilitation.

The individual early retirement pension can be granted to a person 58–62 years of age who has been employed for an extensive period of time but whose ability to work has permanently impaired to the extent that it is not reasonable to expect that he or she could continue gainful employment. An individual early retirement pension is, however, no longer granted to persons having been born after the year 1943. What is also considered in the assessment of the person's ability to work besides the his/her state of health are the effect of aging on managing the work duties, strain caused by working and working conditions.

A dependant's pension may be granted to the child, widow or former spouse of an employee, entrepreneur or pensioner who was within the sphere of application of employee pension legislation.

For a person to be entitled to a survivor's pension, it is required that the marriage was concluded before the deceased person turned 65 and the widow has or had a child with the deceased. If there were no children from the marriage, it is required that the marriage was concluded before the widow turned 50 and that it lasted at least five years, or the widow was receiving a continuous unemployment pension pursuant to the National Pension Act for at least three years before the death of the deceased. The former spouse of a deceased person may receive a survivor's pension if the deceased at the time of death was liable for alimony. An orphan's pension may be granted to the deceased person's own child, his or her widow's child or an adopted child aged under 18.

The national pension system provides the same types of pensions as the employee pension system, except for the part-time pension and partial disability pension. In addition, the pensioner may be entitled to a pensioner's housing allowance depending on his or her income.

- *The pension systems of the public sector mainly correspond to those in the private sector.*
- *For more information on social security www.kela.fi and www.etk.fi*



THE TYKES WORKING LIFE DEVELOPMENT PROGRAMME 2004–2009

Systematic efforts to develop the working life have been going on in Finland since the beginning of 1990's. In collaboration between the Ministries and the labour market and enterprisers' organisations were implemented a National Productivity Programme, the Programme to Develop the Working Life TYKE, the National Age Programme and the Programme for Research and Measures to Promote Coping at Work. From the beginning of 2004, the separate programmes were amalgamated under a single umbrella, resulting in Tykes, the Development Programme for Working Life Safety and Quality based on tripartite co-operation. It is contained in a policy programme on employment implemented as part of the Government Programme. Funds are also received from the European Social Fund (ESF) to develop the working life.

Tykes promotes the development of operating methods in Finnish companies and other work organisations. The aim is to simultaneously improve the productivity and quality of working life. This is termed a qualitatively sustainable growth in productivity.

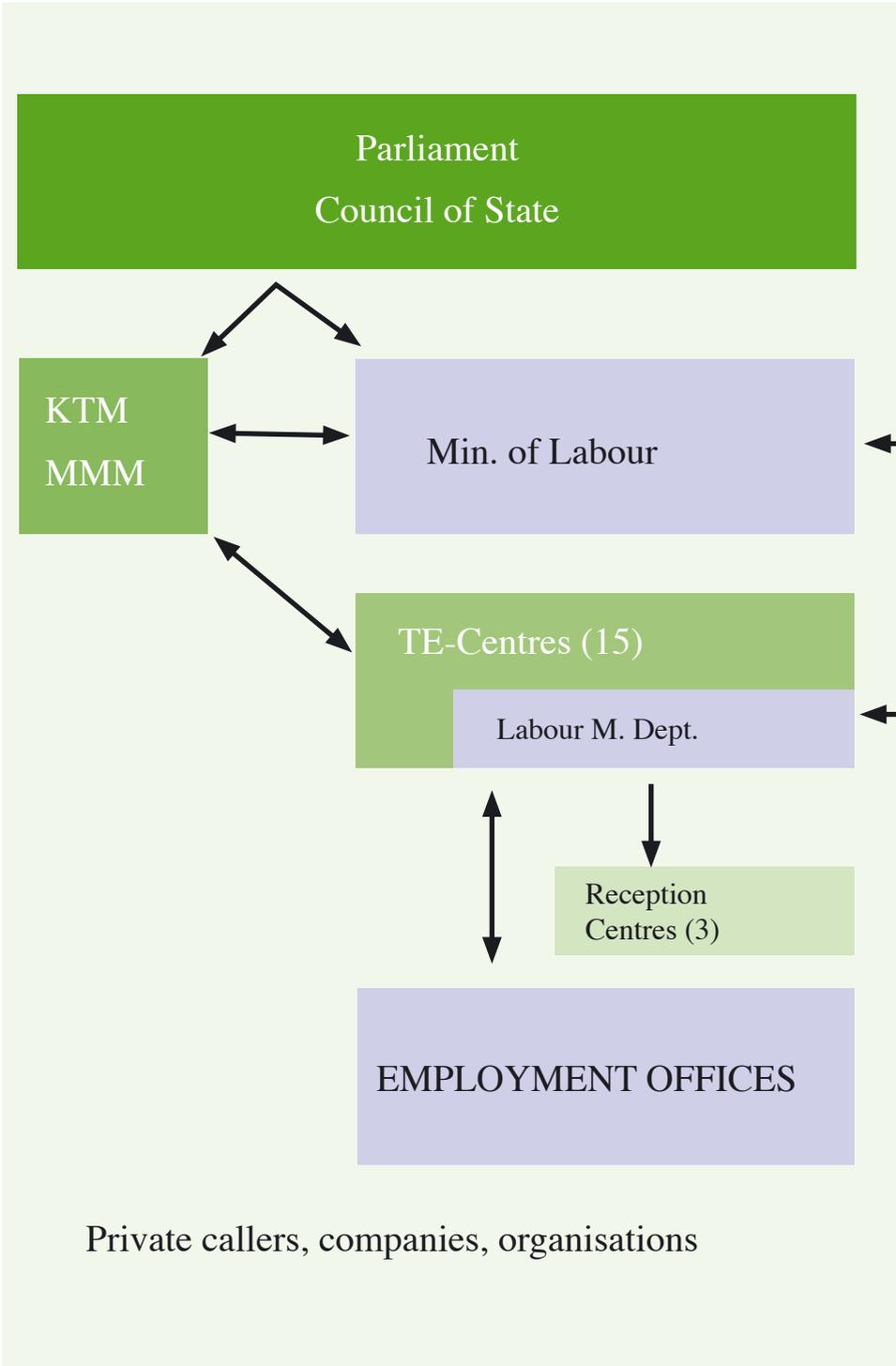
Tykes funds development projects at workplaces, method development projects and learning networks. In projects under this programme, development takes place through joint efforts of the management and the personnel. Tykes also promotes the spreading of the results of the projects and the methods implemented in them, as well as boosts the know-how in development of work organisations in Finland.

In 2004–2009, the aim of the Tykes programme is to launch some 1,000 development projects, which will involve around 250,000 workers. The overall goal budget is a total of 87 million euro.



THE ORGANISATION AND DUTIES OF THE LABOUR ADMINISTRATION

The organisation of the Labour Administration consists of the Ministry of Labour and the regional and local administration. The regional administration is organised through the 15 Employment and Economic Development Centres (TE Centres) jointly run by the Ministry of Labour, the Ministry of Trade and Industries and the Ministry of Agriculture and Forestry. In the TE Centres, the Labour Market Departments assume responsibility for the Labour Administration matters in the region. The implementation of labour and immigration policies takes place through the Employment Offices, which in 2005 numbered 143. A special feature of the Labour Administration's organisation is that the Employment Offices, even though local authorities, work directly under the Ministry. In the areas of nearly all other Ministries, customer services are provided by municipal authorities. Under the Employment and Economic Development Centre, there also are three reception centres for refugees and asylum seekers.





Ministry of Labour:
www.mol.fi

Occupational Safety and Health Inspectorates:
www.tyosuojelu.fi

Finlex Data Bank contains finnish legislation:
www.finlex.fi



MINISTRY OF LABOUR
www.mol.fi